

AMENDED IN ASSEMBLY APRIL 24, 2014

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1624**

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**Introduced by Assembly Member Gordon**

February 10, 2014

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1624, as amended, Gordon. Self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, adopted during the energy crisis of 2000–01, required the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission adopted Decision 01-03-073, dated March 27, 2001, that established program incentives for demand-responsiveness and self-generation that were modified in later decisions.

Existing law authorizes the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive

program in the 2008 calendar year, through December 31, 2014. Existing law requires the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described law until January 1, 2016, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2016, to reduce ratepayer costs.

*Existing law authorizes the Public Utilities Commission to allocate up to 15% of revenues received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities for clean energy and energy efficiency projects that are administered by the electrical corporation and are not otherwise funded by other funding source.*

~~This bill would authorize the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2020, and would require the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described former law through and including December 31, 2021. The bill would require the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2022, to reduce ratepayer costs.~~ *allocate \$83 million from the above-described greenhouse gas allowance revenues for the self-generation incentive program.* The bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and to evaluate the self-generation incentive program's progress toward reducing barriers to the adoption of distributed energy resources and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability. *The bill would require the commission, beginning March 1, 2017, and every year thereafter for as long as the program is providing incentives, to review the level of incentives and the costs of the technologies that are receiving incentives to ensure that the program is more likely to fund those technologies that will improve the technologies' ability to reduce*

*greenhouse gas emission reduction costs and produce electricity at a time and in a manner that reduces the peak demand for electricity.*

Existing law limits eligibility for incentives under the self-generation incentive program to distributed energy resources that the Public Utilities Commission, in consultation with the State Air Resources Board, determines will achieve reductions in emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.

This bill would further limit eligibility for incentives under the self-generation incentive program to distributed energy resource technologies that the Public Utilities Commission determines meet specified additional requirements. The bill would require the commission to determine a capacity factor for each distributed generation system in the program and to define a capacity factor for energy storage systems in the program as the ratio of the total hours the energy storage system is used for charging and discharging throughout the year, as specified, to the total number of hours in the year.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill is within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 379.6 of the Public Utilities Code is
- 2 amended to read:
- 3 379.6. (a) (1) It is the intent of the Legislature that the
- 4 self-generation incentive program increase deployment of
- 5 distributed generation and energy storage systems to facilitate the
- 6 integration of those resources into the electrical grid, improve
- 7 efficiency and reliability of the distribution and transmission

1 system, and reduce emissions of greenhouse gases, peak demand,  
2 and ratepayer costs. It is the further intent of the Legislature that  
3 the commission, in future proceedings, provide for an equitable  
4 distribution of the costs and benefits of the program.

5 (2) (A) The commission, in consultation with the Energy  
6 Commission, may authorize the annual collection of not more than  
7 the amount authorized for the self-generation incentive program  
8 in the 2008 calendar year, through December 31, ~~2020~~. ~~The 2014.~~

9 (B) *The commission shall require the administration of the*  
10 *program for distributed energy resources originally established*  
11 *pursuant to Chapter 329 of the Statutes of 2000 through and*  
12 *including December 31, 2021.* ~~On January 1, 2022, the commission~~  
13 ~~shall provide repayment of all unallocated funds collected pursuant~~  
14 ~~to this section to reduce ratepayer costs.~~

15 (C) *Beginning January 1, 2015, and each year thereafter until*  
16 *December 31, 2021, the commission shall allocate up to*  
17 *eighty-three million dollars (\$83,000,000) from the funds allocated*  
18 *for clean energy programs pursuant to subdivision (c) of Section*  
19 *748.5 for the self-generation incentive program.*

20 (D) *Beginning January 1, 2015, the commission shall authorize*  
21 *the expenditure of unallocated funds collected pursuant to*  
22 *subparagraph (A) before authorizing the expenditure of funds*  
23 *allocated pursuant to subparagraph (C).*

24 (E) *On January 1, 2022, all unallocated funds allocated*  
25 *pursuant to subparagraph (C) shall be subject to expenditure for*  
26 *the purposes of subdivision (c) of Section 748.5.*

27 (3) The commission shall administer solar technologies  
28 separately, pursuant to the California Solar Initiative adopted by  
29 the commission in Decisions 05-12-044 and 06-01-024, as modified  
30 by Article 1 (commencing with Section 2851) of Chapter 9 of Part  
31 2 of Division 1 of this code and Chapter 8.8 (commencing with  
32 Section 25780) of Division 15 of the Public Resources Code.

33 (b) Eligibility for incentives under the program shall be limited  
34 to distributed energy resources that the commission, in consultation  
35 with the State Air Resources Board, determines will achieve  
36 reductions in emissions of greenhouse gases pursuant to the  
37 California Global Warming Solutions Act of 2006 (Division 25.5  
38 (commencing with Section 38500) of the Health and Safety Code).

1 (c) Eligibility for the funding of any combustion-operated  
2 distributed generation projects using fossil fuel is subject to all of  
3 the following conditions:

4 (1) An oxides of nitrogen ( $\text{NO}_x$ ) emissions rate standard of 0.07  
5 pounds per megawatthour and a minimum efficiency of 60 percent,  
6 or any other  $\text{NO}_x$  emissions rate and minimum efficiency standard  
7 adopted by the State Air Resources Board. A minimum efficiency  
8 of 60 percent shall be measured as useful energy output divided  
9 by fuel input. The efficiency determination shall be based on 100  
10 percent load.

11 (2) Combined heat and power units that meet the 60-percent  
12 efficiency standard may take a credit to meet the applicable  $\text{NO}_x$   
13 emissions standard of 0.07 pounds per megawatthour. Credit shall  
14 be at the rate of one megawatthour for each 3.4 million British  
15 thermal units (Btus) of heat recovered.

16 (3) The customer receiving incentives shall adequately maintain  
17 and service the combined heat and power units so that during  
18 operation, the system continues to meet or exceed the efficiency  
19 and emissions standards established pursuant to paragraphs (1)  
20 and (2).

21 (4) Notwithstanding paragraph (1), a project that does not meet  
22 the applicable  $\text{NO}_x$  emissions standard is eligible if it meets both  
23 of the following requirements:

24 (A) The project operates solely on waste gas. The commission  
25 shall require a customer that applies for an incentive pursuant to  
26 this paragraph to provide an affidavit or other form of proof that  
27 specifies that the project shall be operated solely on waste gas.  
28 Incentives awarded pursuant to this paragraph shall be subject to  
29 refund and shall be refunded by the recipient to the extent the  
30 project does not operate on waste gas. As used in this paragraph,  
31 “waste gas” means natural gas that is generated as a byproduct of  
32 petroleum production operations and is not eligible for delivery  
33 to the utility pipeline system.

34 (B) The air quality management district or air pollution control  
35 district, in issuing a permit to operate the project, determines that  
36 operation of the project will produce an onsite net air emissions  
37 benefit, compared to permitted onsite emissions if the project does  
38 not operate. The commission shall require the customer to secure  
39 the permit prior to receiving incentives.

(d) In determining the eligibility for the self-generation incentive program, minimum system efficiency shall be determined either by calculating electrical and process heat efficiency as set forth in Section 216.6, or by calculating overall electrical efficiency.

(e) In addition to the eligibility requirements specified in subdivisions (b), (c), and (d), eligibility for incentives under the program shall be limited to distributed energy resource technologies that the commission determines meet all of the following requirements:

(1) The distributed energy resource technology is capable of reducing demand from the grid by offsetting some or all of the customer's onsite energy load, including, but not limited to, peak electric demand.

(2) The distributed energy resource technology is commercially available.

(3) The distributed energy resource technology safely utilizes the existing transmission and distribution system.

(4) The distributed energy resource technology reduces emissions of greenhouse gases.

(5) The distributed energy resource technology improves air quality by reducing criteria air pollutants.

(f) In administering the self-generation incentive program, the commission shall do both of the following:

(1) Determine a capacity factor for each distributed generation system in the program.

(2) Define a capacity factor for energy storage systems in the program as the ratio of the total hours the energy storage system is used for charging and discharging throughout the year, including the hours when the energy storage system is available for capacity applications even if not actively charging or discharging, to the total number of hours in the year.

(g) In administering the self-generation incentive program, the commission may adjust the amount of rebates and evaluate other public policy interests, including, but not limited to, ratepayers, energy efficiency, peak load reduction, load management, and environmental interests.

(h) The commission shall ensure that distributed generation resources are made available in the program for all ratepayers.

(i) (1) In administering the self-generation incentive program, the commission shall provide an additional incentive of 20 percent

1 from existing program funds for the installation of eligible  
2 distributed generation resources from a California supplier.

3 (2) "California supplier" as used in this subdivision means any  
4 sole proprietorship, partnership, joint venture, corporation, or other  
5 business entity that manufactures eligible distributed generation  
6 resources in California and that meets either of the following  
7 criteria:

8 (A) The owners or policymaking officers are domiciled in  
9 California and the permanent principal office, or place of business  
10 from which the supplier's trade is directed or managed, is located  
11 in California.

12 (B) A business or corporation, including those owned by, or  
13 under common control of, a corporation, that meets all of the  
14 following criteria continuously during the five years prior to  
15 providing eligible distributed generation resources to a  
16 self-generation incentive program recipient:

17 (i) Owns and operates a manufacturing facility located in  
18 California that builds or manufactures eligible distributed  
19 generation resources.

20 (ii) Is licensed by the state to conduct business within the state.

21 (iii) Employs California residents for work within the state.

22 (3) For purposes of qualifying as a California supplier, a  
23 distribution or sales management office or facility does not qualify  
24 as a manufacturing facility.

25 (j) The costs of the program adopted and implemented pursuant  
26 to this section shall not be recovered from customers participating  
27 in the California Alternate Rates for Energy (CARE) program.

28 (k) (1) The commission shall evaluate the overall success and  
29 impact of the self-generation incentive program based on the  
30 following performance measures:

31 (A) The amount of reductions of emissions of greenhouse gases.

32 (B) The amount of reductions of emissions of criteria air  
33 pollutants measured in terms of avoided emissions and reductions  
34 of criteria air pollutants represented by emissions credits secured  
35 for project approval.

36 (C) The amount of energy reductions measured in energy value.

37 (D) The amount of reductions of aggregate noncoincident  
38 customer peak demand.

39 (E) The ratio of the electricity generated by distributed energy  
40 resource projects receiving incentives from the program to the

1 electricity capable of being produced by those distributed energy  
2 resource projects, commonly known as a capacity factor.

3 (F) The value to the electrical transmission and distribution  
4 system measured in avoided costs of transmission and distribution  
5 upgrades and replacement.

6 (G) The ability to improve onsite electricity reliability *as*  
7 *compared to onsite electricity reliability before the self-generation*  
8 *incentive program technology was placed in service.*

9 (2) In addition to evaluating the program based on the  
10 performance measures specified in paragraph (1), the commission  
11 shall also evaluate ~~both of the following: the program's~~  
12 ~~effectiveness in providing frequency regulation, voltage support,~~  
13 ~~demand reduction, peak shaving, ramp rate control, and other~~  
14 ~~wholesale ancillary and grid reliability services.~~

15 ~~(A) The program's progress toward reducing barriers to the~~  
16 ~~adoption of distributed energy resources, including, but not limited~~  
17 ~~to, interconnection costs and the length of time to complete~~  
18 ~~interconnection.~~

19 ~~(B) The program's effectiveness in providing frequency~~  
20 ~~regulation, voltage support, demand reduction, peak shaving, ramp~~  
21 ~~rate control, and other wholesale ancillary and grid reliability~~  
22 ~~services.~~

23 *(I) To ensure that the self-generation incentive program is more*  
24 *likely to fund those technologies that will improve in their ability*  
25 *to reduce greenhouse gas emission reduction costs and produce*  
26 *electricity at a time and in a manner that reduces the peak demand*  
27 *for electricity, beginning in March 1, 2017, and each year*  
28 *thereafter, as long as the SGIP program is providing incentives,*  
29 *the commission shall review the level of incentives and the cost of*  
30 *the technologies that are receiving incentives and (1) allow*  
31 *incentive eligibility for new technologies or (2) remove incentive*  
32 *eligibility or reduce incentives for technologies that have received*  
33 *incentives but have not reduced greenhouse gas emission reduction*  
34 *costs or provided a ratepayer benefit.*

35 SEC. 2. No reimbursement is required by this act pursuant to  
36 Section 6 of Article XIII B of the California Constitution because  
37 the only costs that may be incurred by a local agency or school  
38 district will be incurred because this act creates a new crime or  
39 infraction, eliminates a crime or infraction, or changes the penalty  
40 for a crime or infraction, within the meaning of Section 17556 of



- 1 the Government Code, or changes the definition of a crime within
- 2 the meaning of Section 6 of Article XIII B of the California
- 3 Constitution.

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